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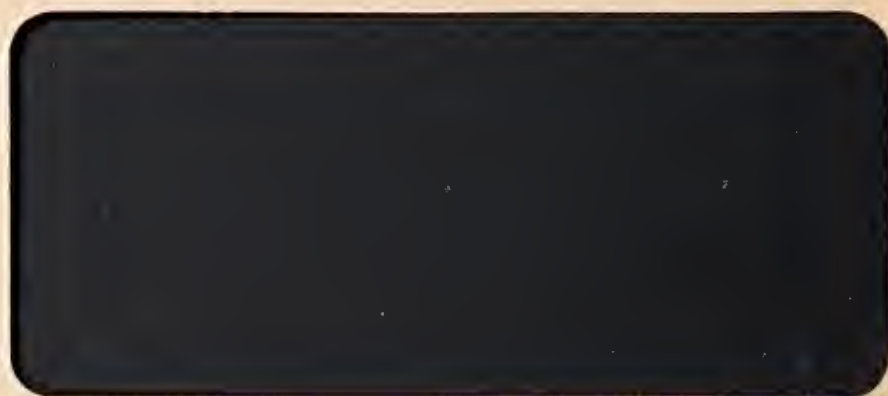


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CORPORATE INCOME TAXATION

ROBERT COUZIN

1982 - 83



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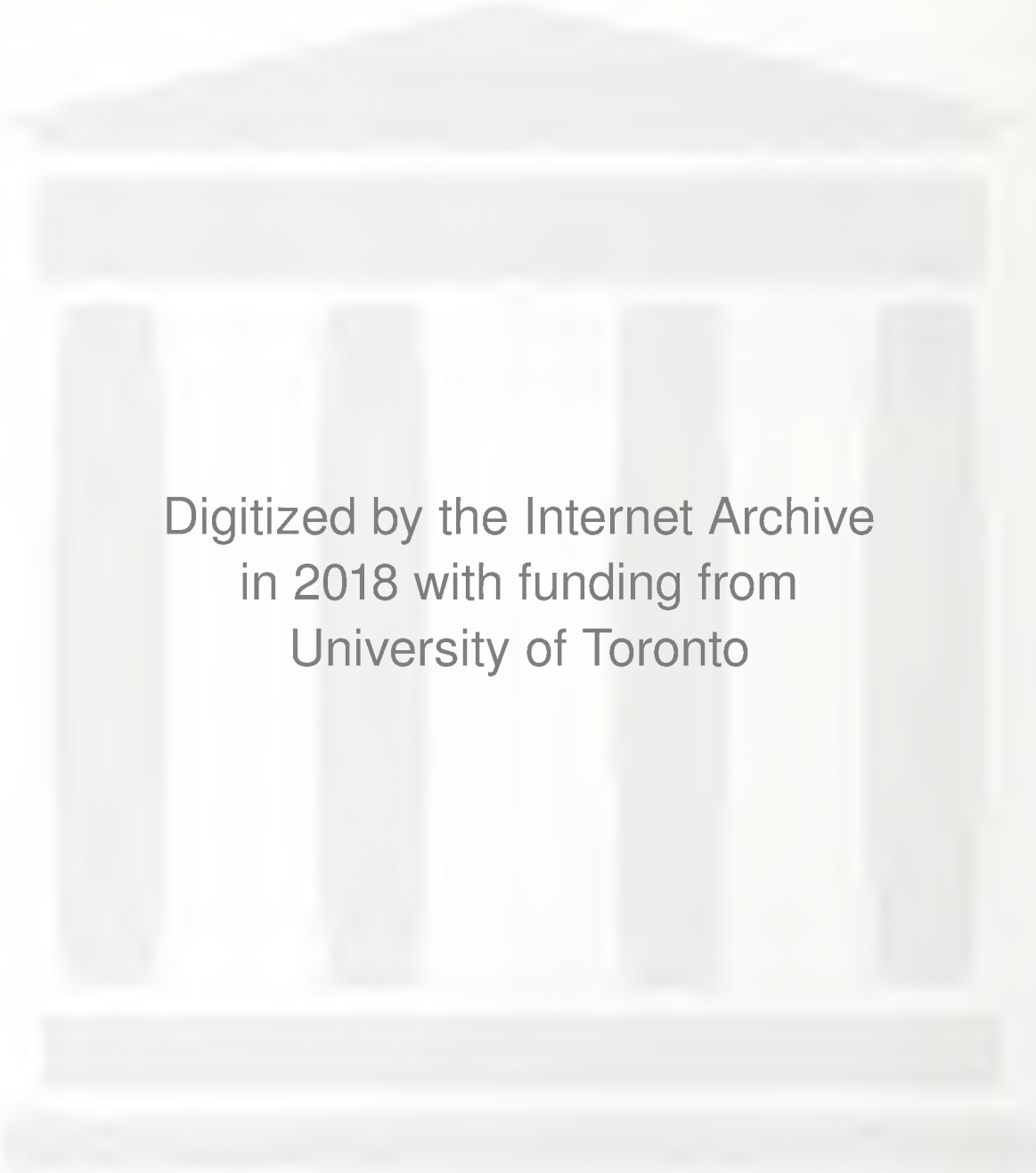
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CORPORATE INCOME TAXATION

Introduction

The purpose of this course is to acquaint students with the scheme of Canadian income taxation as it applies to the profits earned by incorporated entities. Such a study entails consideration of the taxation not only of corporations but also of their shareholders. This results from Canada's decision to provide for an "imputation" of corporate tax to shareholders in preference to a "classical" system under which all corporate distributions are regarded as ordinary income. In addition, because of the flexibility of companies legislation, which permits corporations to engage in a wide variety of forms of acquisition, combination, etc., and because of the business realities which dictate such corporate reorganizations, income tax legislation must and does provide special rules in this regard.

The course is, therefore, divided into two principal segments. Part I deals with the taxation of corporations and corporate distributions. In this Part, the classification of corporations under the Income Tax Act will be examined as a prelude to a detailed consideration of the rules relating to integration of corporate and shareholder taxation, particularly in the case of private corporations. We may also examine certain provisions of the Act which deal with rate incentives available to certain corporations. Part II of the course deals with corporate reorganizations. This Part will be less detailed. The goal is to ensure that students become aware of the existence and basic thrust of the relevant provisions, and acquire an understanding of the scheme of this part of the Act which will enable them generally to perceive how a desired result may likely be obtained without adverse income tax results.

By far the most important "course material" is the Income Tax Act, R.S.C. 1952, c.148 as amended (referred to in the outline by section numbers). All students must have an up-to-date edition of the Act. Either the Richard De Boo or the CCH edition is acceptable. Both contain the Income Tax Application Rules, 1971 ("ITAR") and the Income Tax Regulations ("Regs"). Statutory references in this outline are always required reading and, unless otherwise indicated, should be studied in detail before the relevant class. Draft

legislation tabled on June 28, 1982 will also be examined where appropriate. Copies will be made available.

Most other references herein are reproduced in the volume of course materials. Those not reproduced are not required reading.

No text has been chosen. Students may wish to consult outside sources on particular subjects, and should feel free to do so. The most likely reference works are:

Scace, Arthur, R.A., The Income
Tax Law of Canada, 4th ed.
(Toronto: 1979)

Canada Tax Service, 8 vol.
(Toronto: Richard De Boo Limited)

Canadian Tax Reporter, 6 vol.
(Toronto: CCH Canadian Ltd.)

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G. Combinatory Reorganizations: Sections 85.1 and 88

H. The November Budget